

**SENATE BILL**

**No. 28**

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**Introduced by Senators Padilla and Steinberg**

August 29, 2011

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An act to repeal and add Section 25740.5 of, and to repeal and add Chapter 7.1 (commencing with Section 25620) of Division 15 of, the Public Resources Code, and to amend Sections 384 and 399.8 of the Public Utilities Code, relating to energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL’S DIGEST

SB 28, as introduced, Padilla. Clean Energy Jobs and Investment Act.

(1) Under the Public Utilities Act (the act), the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. The Reliable Electric Service Investments Act within the act requires the PUC to require an electrical corporation, until January 1, 2012, to identify a separate electrical rate component, which the PUC refers to as the “public goods charge,” to fund energy efficiency, renewable energy, and research, development, and demonstration programs that enhance system reliability and provide in-state benefits. A violation of the Public Utilities Act is a crime.

This bill would extend the requirement to collect the public goods charge January 1, 2020, and would increase the amount of funds the PUC would require the electrical corporations to collect through the public goods charge. Because a violation of this requirement is a crime, this bill would impose a state-mandated local program by extending the operation of a crime. By extending and expanding the collection of

the public goods charge, the bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

(2) Existing law requires that the moneys collected between January 1, 2007, and January 1, 2012, from the electrical corporations for public interest research, development, and demonstration projects be deposited in the Public Interest Research, Development, and Demonstration Fund and be used for the purposes of the Public Interest Research, Demonstration, and Development Program.

This bill would repeal the Public Interest Research, Demonstration, and Development Program and would enact the Clean Energy Jobs and Investment Act. The bill would establish the Clean Energy Investment Council consisting of specified individuals to provide strategic policy guidance for the implementation of the act. The bill would require the State Energy Resources Conservation and Development Commission (Energy Commission) to establish and administer the California Energy Innovation Program (CEIP) to fund research, development, and demonstration projects that may lead to technological advancement and breakthroughs to overcome those barriers that prevent the achievement of the state's energy policy goals. The bill would require the Energy Commission to convene, no less than twice a year, meetings of the CEIP Advisory Council consisting of members representing specified entities and would require the council to identify the technological challenges that most warrant funding under the CEIP and opportunities for joint funding of projects and to make recommendations to avoid funding duplicative projects. The bill would require the Energy Commission to adopt regulations or modify existing regulations to implement the CEIP. The bill would require the Energy Commission to consult with the CEIP Advisory Council to establish a process for tracking the progress and outcome of funded projects. The bill would require the Energy Commission to consult with the CEIP Advisory Council and the Treasurer to establish terms that may be imposed as conditions for the receipt of CEIP funding. The bill would require the Energy Commission, no later than March 31 of each year, to prepare and submit to the Legislature an annual report regarding projects funded by the CEIP. The bill would establish the Clean Energy Innovation Program Fund in the State Treasury, and, upon appropriation by the Legislature, moneys in the fund would be expended by the Energy Commission to

implement the CEIP. The bill would provide that moneys remaining in the Public Interest Research, Development, and Demonstration Fund as of January 1, 2012, be transferred to the Clean Energy Innovation Program Fund.

(3) Existing law requires the Energy Commission to establish programs to optimize public investment and ensure that the most cost-effective and efficient investments in renewable energy resources are vigorously pursued (Renewable Energy Resources Program). Existing law requires, until January 1, 2012, that moneys from the public goods charge collected for renewable energy be transferred to the Renewable Resource Trust Fund, a continuously appropriated fund except for administrative expenses, for the purpose of implementing the program.

This bill would revise and recast the Renewable Energy Resources Program to, among other things, provide investment in energy storage technologies. The bill would establish the Clean Energy Investment Team within the Energy Commission for specified purposes of the program. The bill would extend to January 1, 2020, the transfer of the public goods charge collected for renewable energy to the Renewable Resource Trust Fund. Because the bill would revise the purposes for which the funds may be used and extend the deposit of moneys into a continuously appropriated fund, this bill would make an appropriation.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(5) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January 20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Chapter 7.1 (commencing with Section 25620) of Division 15 of the Public Resources Code is repealed.

SEC. 2. Chapter 7.1 (commencing with Section 25620) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 7.1. CLEAN ENERGY JOBS AND INVESTMENT ACT

Article 1. General Provisions

25620. This chapter shall be known and may be cited as the Clean Energy Jobs and Investment Act.

25620.1. The Legislature finds and declares all of the following:

(a) Investing in clean energy creates jobs, attracts and grows businesses, and increases California's economic competitiveness.

(b) Investing in energy efficiency provides lower energy bills for individual households and businesses and saves all ratepayers money through reduced need for new powerplants and transmission and distribution systems.

(c) Clean energy investments benefit ratepayers by cutting energy waste, diversifying energy supplies, increasing energy security and grid reliability, reducing harmful air pollutants, and protecting public health and the environment.

(d) California has been a leader in clean energy development and deployment, saving consumers billions of dollars from increased energy efficiency, creating new jobs and businesses, and fostering innovation through research and development.

(e) Meeting California's renewable energy, energy efficiency, and emissions reduction policies will require strategic public investments in clean energy research, development, deployment, and commercialization.

25620.2. It is the intent of the Legislature that investments made pursuant to this chapter do all of the following:

(a) Develop and deploy clean energy technologies that maximize job creation and regional sustainability, strengthen California businesses and economic competitiveness, and provide multiple benefits to ratepayers.

(b) Save ratepayers money through reduced need for new powerplants and transmission and distribution systems.

1 (c) Accelerate the development and deployment of clean energy  
2 technologies that meet the California renewables portfolio standard  
3 specified in Chapter 1 of the Statutes of the First Extraordinary  
4 Session of 2011, energy storage requirements specified in Chapter  
5 469 of the Statutes of 2010, Chapter 470 of the Statutes of 2009,  
6 and subparagraph (C) of paragraph (9) of subdivision (b) of Section  
7 454.5 of the Public Utilities Code.

8 (d) Respond to changing energy and technology market  
9 conditions.

10 (e) Leverage investments in clean energy to maximize ratepayer  
11 benefits, reduce costs, and achieve sustainable changes in the  
12 market so that public investment will no longer be needed.

13 (f) Help local governments to plan, permit, finance, and  
14 implement clean energy development.

15 (g) Maximize opportunities for low-income households and  
16 disadvantaged communities in urban and rural areas of the state  
17 to participate in these programs.

18 (h) Promote business and employment opportunities for small  
19 business and women-, minority-, veteran-, and disabled-owned  
20 businesses.

21 25620.3. For purposes of this chapter, the following terms  
22 mean the following:

23 (a) “Biogas” means digester gas, landfill gas, and any gas  
24 derived from an eligible biomass feedstock.

25 (b) “Biomass” means an organic material not derived from fossil  
26 fuels, including, but not limited to, agricultural crops, agricultural  
27 wastes and residues, waste pallets, crates, dunnage, manufacturing  
28 and construction wood wastes, landscape and right-of-way tree  
29 trimmings, mill residues that result from milling lumber, rangeland  
30 maintenance residues, biosolids, sludge derived from organic  
31 matter, and wood and wood waste from timbering operations.

32 (c) “CEIP” or “program” means the Clean Energy Innovation  
33 Program, formerly known as the Public Interest Energy Research  
34 (PIER) program, developed pursuant to Section 25620.12.

35 (d) “Clean energy” means energy efficiency, including  
36 demand-side management, renewable energy, clean transportation,  
37 water efficiency, and energy storage.

38 (e) “Comprehensive energy efficiency retrofit,” “whole house  
39 retrofit,” and “whole building retrofit” mean energy efficiency  
40 retrofits that achieve greater than 20-percent energy savings

1 through a comprehensive package of audits, demand-side  
2 management options, and energy-saving improvements, such as  
3 insulation and duct sealing; heating, ventilation, and cooling system  
4 improvements; window and appliance upgrades; lighting upgrades;  
5 demand response; and other measures to increase energy efficiency.

6 (f) “Disadvantaged community” has the same meaning as that  
7 set forth in Section 79505.5 of the Water Code.

8 (g) “Distributed generation” means electrical generation located  
9 near the place of use.

10 (h) “Grid” means California’s electrical grid, including both  
11 transmission and distribution systems.

12 (i) “Grid integration” means the interconnection, and the  
13 seamless and reliable operation, of generation and demand  
14 management resources and strategies into the grid.

15 (j) “Low income” means an income at a level that is 200 percent  
16 of the federal poverty level or lower.

17 (k) “Renewable energy” means eligible renewable energy  
18 resources as defined in Section 399.12 of the Public Utilities Code.

19 25620.4. (a) The Clean Energy Investment Council is hereby  
20 established to provide strategic policy guidance for the programs  
21 funded pursuant to this chapter to ensure that they are targeted to  
22 achieve state policy priorities, maximize benefits, and avoid  
23 duplication with other agencies and programs. The council shall  
24 consist of the following individuals or their designees:

25 (1) The President pro Tempore of the Senate or the Chair of the  
26 Senate Committee on Energy, Utilities and Communications.

27 (2) The Speaker of the Assembly or the Chair of the Assembly  
28 Committee on Utilities and Commerce.

29 (3) The Chair of the State Energy Resources Conservation and  
30 Development Commission.

31 (4) The President of the Public Utilities Commission.

32 (5) The Chair of the State Air Resources Board.

33 (6) The Treasurer.

34 (7) The Chief Executive Officer of the Independent System  
35 Operator, who shall serve as a nonvoting member of the council.

36 (b) Members of the Legislature shall participate in the activities  
37 of the council to the extent that the participation is not incompatible  
38 with their respective positions as Members of the Legislature.

39 (c) The council shall hold at least one public meeting per year.

Article 2. Clean Energy Innovation Program

25620.10. This article shall be known and may be cited as the Clean Energy Innovation Program.

25620.11. The Legislature finds and declares all of the following:

(a) California has been a national leader in clean energy by establishing ambitious goals, policies, and programs to increase energy efficiency and generation from renewable energy sources.

(b) Achieving the state's energy goals will benefit the public and energy utility ratepayers through reduced system costs and reduced end-user charges for service.

(c) Barriers to achieving these energy goals include, but are not limited to, significant technological and other challenges relating to energy storage, renewable energy technology and its integration into the electrical grid, energy efficiency technologies and applications, smart grid technologies and applications, integration of electric vehicles into the electrical grid, and accurately forecasting the availability of renewable energy for integration into the grid.

(d) Breakthroughs to overcome these technological challenges and to enable the state to achieve its energy policy goals require strategically focused research, development, and demonstration projects.

(e) It is appropriate and necessary for the state to administer a program of research, development, and demonstration to accelerate technological advancement and breakthroughs that may enable the state to achieve its energy policy goals.

25620.12. (a) The Clean Energy Innovation Program (CEIP) is hereby established for the purpose of funding research, development, and demonstration projects that may lead to technological advancement and breakthroughs to overcome the barriers that prevent the achievement of the state's energy policy goals.

(b) The commission shall develop and administer the program consistent with this chapter.

25620.13. (a) The commission shall, no less than twice a year, convene a meeting of the CEIP Advisory Council, which shall consist of the following members:

- 1 (1) The chair of the commission, who shall serve as the chair
- 2 of the council.
- 3 (2) One representative from Pacific Gas and Electric
- 4 Corporation.
- 5 (3) One representative from Southern California Edison
- 6 Corporation.
- 7 (4) One representative from San Diego Gas and Electric
- 8 Corporation.
- 9 (5) One representative from Southern California Gas Company.
- 10 (6) One representative from any participating publicly owned
- 11 utility.
- 12 (7) One representative from the Public Utilities Commission.
- 13 (8) One representative from the Independent System Operator.
- 14 (9) One representative from the State Air Resources Board.
- 15 (10) One representative from the Division of Ratepayer
- 16 Advocates within the Public Utilities Commission.
- 17 (11) Two representatives from consumer organizations, with
- 18 one appointed by the Senate Committee on Rules and one
- 19 appointed by the Speaker of the Assembly.
- 20 (12) Two representatives from environmental organizations,
- 21 with one appointed by the Senate Committee on Rules and one
- 22 appointed by the Speaker of the Assembly.
- 23 (13) Two representatives of environmental justice groups, with
- 24 one appointed by the Senate Committee on Rules and one
- 25 appointed by the Speaker of the Assembly.
- 26 (14) Two representatives from university research institutions,
- 27 with one appointed by the Senate Committee on Rules and one
- 28 appointed by the Speaker of the Assembly.
- 29 (15) Two representatives of clean energy businesses,
- 30 associations, or investors appointed by the Governor.
- 31 (16) Three at-large members appointed by the Governor.
- 32 (17) (A) Two nonvoting members from the Legislature, with
- 33 one Senator appointed by the Senate Committee on Rules and one
- 34 Assembly Member appointed by the Speaker of the Assembly.
- 35 (B) The Members of the Legislature shall participate in the
- 36 activities of the council to the extent that the participation is not
- 37 incompatible with their respective positions as Members of the
- 38 Legislature.
- 39 (b) Each nongovernmental member of the council shall serve a
- 40 term of three years.



(c) The council shall annually identify the technological and other challenges that are the most significant barriers to achieving the state's energy policy goals for which CEIP funding is most warranted. These challenges shall include, but not be limited to, energy storage, renewable energy and its integration into the electrical grid, integration of electric vehicles into the electrical grid, energy efficiency, and accurate forecasting of the availability of renewable energy for integration into the electrical grid.

(d) The council shall identify opportunities for joint funding of research, development, and demonstration projects, and make recommendations to help the commission avoid funding projects that would duplicate projects already being funded by the Public Utilities Commission, the State Air Resources Board, or any other public agency or private organization.

25620.14. (a) The commission shall award CEIP funds for projects that may lead to technological advancement and breakthroughs to overcome barriers to achieving the state's energy policy goals and that result in a portfolio of project awards that does all of the following:

(1) Is strategically focused and sufficiently narrow to make advancement on the most significant barriers to clean energy deployment, including, but not limited to, energy storage, renewable energy technology and its integration into the electrical grid, energy efficiency technologies and applications, smart grid technologies and applications, integration of electric vehicles into the electrical grid, accurately forecasting the availability of renewable energy for integration into the grid, or other significant technological challenges identified by the CEIP Advisory Council pursuant to Section 25620.13.

(2) Ensures that prior, current, and future research, development, and demonstration projects are not unnecessarily duplicated.

(3) Invests in projects of California-based entities unless there is a unique need that can be met only by an entity based outside of California.

(4) Results in a reasonably equitable distribution of awards to various geographic regions of California to the extent possible and consistent with the provisions of this chapter.

(5) Maximizes expenditure of funds for research, development, and demonstration projects and minimizes expenditure of funds for administration and overhead costs.

(6) Utilities may receive funds only if they participate in the program. Sectors that do not contribute to funding under Section 399.8 of the Public Utilities Code shall include in any application information demonstrating that the application supports one or more of the goals in Section 25620.1 and is intended to provide statewide benefits to electric utility customers.

(b) The commission shall not award or expend CEIP funds for any purposes except as provided in this chapter.

25620.15. (a) The commission shall adopt regulations, or modify existing regulations, for the solicitation of award applications, evaluation of applications, and the award of funds consistent with this article.

(b) The regulations shall require each applicant to demonstrate how the proposed project may lead to technological advancement and potential breakthroughs to overcome barriers to achieving the state's energy policy goals.

(c) The regulations shall require each reward recipient, as a condition of receiving CEIP funds, to agree to any terms the commission determines are appropriate for the state to accrue any intellectual property interest or royalties that may derive from CEIP funding.

(d) The regulations shall prohibit any person from participating in the evaluation or disposition of any application if that person has a conflict of interest regarding that application, within the meaning of Section 87100 of the Government Code.

25620.16. The commission, prior to awarding any CEIP funds, and in consultation with the CEIP Advisory Council, shall establish a process for tracking the progress and outcomes of each funded project, including an accounting of the amount of funds spent on administrative and overhead costs and whether the project resulted in any technological advancement or breakthrough to overcome barriers to achieving the state's energy policy goals.

25620.17. The commission, prior to awarding any CEIP funds, and in consultation with the CEIP Advisory Council and the Treasurer, shall establish terms that may be imposed as a condition to receipt of funding, as the commission determines appropriate, for the state to accrue any intellectual property interest or royalties that may derive from CEIP funding. The commission, when determining if imposition of these terms is appropriate, shall balance the potential benefit to the state from those terms and the

1 effect those terms may have on the state achieving its energy policy  
2 goals.

3 25620.18. (a) On or before March 31 of each year, the  
4 commission shall prepare and submit to the Legislature an annual  
5 report in compliance with Section 9795 of the Government Code  
6 that shall include all of the following:

7 (1) A brief description of each project for which funding was  
8 awarded in the immediately prior calendar year, including the  
9 name of the recipient and amount of the award, and a description  
10 of how the project may lead to technological advancement or  
11 breakthroughs to overcome barriers to achieving the state's energy  
12 policy goals.

13 (2) A brief description of each CEIP-funded project that was  
14 completed in the immediately prior calendar year, including the  
15 name of the recipient, the amount of the award, and the outcomes  
16 of the funded project, in accordance with the process described in  
17 Section 25620.16.

18 (3) A brief description of each CEIP-funded project for which  
19 an award was made in previous years but that is not completed,  
20 including the name of the recipient and amount of the award, and  
21 a description of how the project may lead to technological  
22 advancement or breakthroughs to overcome barriers to achieving  
23 the state's energy policy goals.

24 (4) A list and description of the technological challenges that  
25 the CEIP Advisory Council identifies as the most significant  
26 barriers to achieving the state's energy policy goals, as identified  
27 by the council pursuant to Section 25620.13 for the current year  
28 and all prior years.

29 (b) The commission shall post on its Internet Web site each  
30 annual report, and a searchable database containing information  
31 in the annual report, and shall also include information on awards  
32 made under the former Public Interest Research, Development,  
33 and Demonstration Program.

34 (c) The commission shall establish procedures for protecting  
35 confidential or proprietary information in public reports about  
36 CEIP-funded projects.

37 SEC. 3. Section 25740.5 of the Public Resources Code, as  
38 amended by Section 5 of Chapter 1 of the First Extraordinary  
39 Session of the Statutes of 2011, is repealed.

1     ~~25740.5.—(a) The commission shall optimize public investment~~  
2     ~~and ensure that the most cost-effective and efficient investments~~  
3     ~~in renewable energy resources are vigorously pursued.~~

4     ~~(b) The commission's long-term goal shall be a fully competitive~~  
5     ~~and self-sustaining supply of electricity generated from renewable~~  
6     ~~sources.~~

7     ~~(c) The program objective shall be to increase, in the near term,~~  
8     ~~the quantity of California's electricity generated by renewable~~  
9     ~~electrical generation facilities located in this state, while protecting~~  
10    ~~system reliability, fostering resource diversity, and obtaining the~~  
11    ~~greatest environmental benefits for California residents.~~

12    ~~(d) An additional objective of the program shall be to identify~~  
13    ~~and support emerging renewable technologies in distributed~~  
14    ~~generation applications that have the greatest near-term commercial~~  
15    ~~promise and that merit targeted assistance.~~

16    ~~(e) The Legislature recommends allocations among all of the~~  
17    ~~following:~~

18    ~~(1) Rebates, buydowns, or equivalent incentives for emerging~~  
19    ~~renewable technologies.~~

20    ~~(2) Customer education.~~

21    ~~(3) Production incentives for reducing fuel costs, that are~~  
22    ~~confirmed to the satisfaction of the commission, at solid fuel~~  
23    ~~biomass energy facilities in order to provide demonstrable~~  
24    ~~environmental and public benefits, including improved air quality.~~

25    ~~(4) Solar thermal generating resources that enhance the~~  
26    ~~environmental value or reliability of the electrical system and that~~  
27    ~~require financial assistance to remain economically viable, as~~  
28    ~~determined by the commission. The commission may require~~  
29    ~~financial disclosure from applicants for purposes of this paragraph.~~

30    ~~(5) Specified fuel cell technologies, if the commission makes~~  
31    ~~all of the following findings:~~

32    ~~(A) The specified technologies have similar or better air~~  
33    ~~pollutant characteristics than renewable technologies in the report~~  
34    ~~made pursuant to Section 25748.~~

35    ~~(B) The specified technologies require financial assistance to~~  
36    ~~become commercially viable by reference to wholesale generation~~  
37    ~~prices.~~

38    ~~(C) The specified technologies could contribute significantly~~  
39    ~~to the infrastructure development or other innovation required to~~

1 meet the long-term objective of a self-sustaining, competitive  
2 supply of electricity generated from renewable sources.

3 ~~(6) Existing wind-generating resources, if the commission finds~~  
4 ~~that the existing wind-generating resources are a cost-effective~~  
5 ~~source of reliable energy and environmental benefits compared~~  
6 ~~with other renewable electrical generation facilities located in this~~  
7 ~~state, and that the existing wind-generating resources require~~  
8 ~~financial assistance to remain economically viable. The commission~~  
9 ~~may require financial disclosure from applicants for the purposes~~  
10 ~~of this paragraph.~~

11 ~~(f) Notwithstanding any other law, moneys collected for~~  
12 ~~renewable energy pursuant to Article 15 (commencing with Section~~  
13 ~~399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities~~  
14 ~~Code shall be transferred to the Renewable Resource Trust Fund.~~  
15 ~~Moneys collected between January 1, 2007, and January 1, 2012,~~  
16 ~~shall be used for the purposes specified in this chapter.~~

17 SEC. 4. Section 25740.5 is added to the Public Resources Code,  
18 to read:

19 25740.5. (a) The Clean Energy Investment Team, composed  
20 of the commission and working in close coordination with the  
21 Clean Energy Investment Program's Advisory Committee, is  
22 hereby created to support achievement of the state's renewable  
23 energy goals, including the growth of distributed generation, and  
24 seek creative solutions to barriers to development and deployment  
25 of technologies to achieve those goals. The team shall work to  
26 provide technical assistance, tools, and resources to support  
27 industry, local government, economic, and workforce development  
28 leaders in efforts to overcome these barriers.

29 (b) Activities eligible for investment pursuant to this chapter  
30 include, but are not limited to, those which will maximize job  
31 creation and economic growth through the deployment and  
32 commercialization of renewable energy, grid integration, and  
33 energy storage technologies. Activities authorized by this chapter  
34 shall support and foster the development of a diverse, reliable, and  
35 environmentally sustainable portfolio of renewable energy sources,  
36 including, but not limited to, distributed generation, demonstration  
37 projects on California state buildings or property, renewable  
38 generation on farmland and the New Solar Homes Partnership  
39 (NSHP), energy storage, clean energy manufacturing in California,

1 existing and advanced biogas, biomass, and other clean energy  
2 technologies, and workforce development.

3 (c) (1) Any investments in biomass or biogas made pursuant  
4 to this chapter shall be targeted to incubate and commercialize  
5 technologies and facilities that do one or more of the following:

6 (A) Increase efficiency or reduce air pollution from existing  
7 biomass facilities.

8 (B) Generate energy from regional agricultural or food  
9 processing waste.

10 (C) Develop or expand facilities to capture emissions and  
11 generate biogas from wastewater treatment facilities or landfills.

12 (D) Generate energy from community-scale, woody biomass  
13 facilities that promote safe and resilient forests, provide rural  
14 community benefits, protect air and water quality, and are  
15 ecologically sustainable.

16 (2) The Natural Resources Agency, in coordination with the  
17 California Environmental Protection Agency, shall develop and  
18 adopt sustainability guidelines, in an open public process,  
19 governing the production of forest biomass and biogas.

20 (d) Any investments in energy storage made pursuant to this  
21 chapter shall focus on energy storage technologies and applications  
22 on the utility side of the meter, including utility-owned energy  
23 storage projects, which enhance renewable energy integration into  
24 the grid or increase the efficiency of transmission and distribution  
25 lines.

26 (e) (1) The commission shall, in coordination with the Office  
27 of Planning and Research and the Secretary of the Natural  
28 Resources Agency, provide targeted financial and technical  
29 assistance to local and regional governments for the planning,  
30 siting, and permitting of renewable energy facilities. These  
31 investments may include grants to enable local governments to  
32 participate in regional energy and conservation planning pursuant  
33 to the Natural Communities Conservation Planning Act, (Chapter  
34 10 (commencing with Section 2800) of Division 3 of the Fish and  
35 Game Code) and other applicable laws. These investments may  
36 also include the development of model permitting applications and  
37 ordinances for distributed generation facilities and other measures  
38 that facilitate efficient and cost-effective development of renewable  
39 energy.

(2) Notwithstanding Section 2851 of the Public Utilities Code, the funds collected pursuant to Section 399.8 of the Public Utilities Code and used for the California Solar Initiative pursuant to paragraph (3) of subdivision (e) of Section 2851 of the Public Utilities Code shall be administered by the Public Utilities Commission. The Public Utilities Commission shall administer the program according to guidelines established by the commission pursuant to this chapter. The commission shall adopt and update NSHP program guidelines and rebate levels as needed and to ensure that NSHP funding does all of the following:

(A) Includes solar hot water heating.

(B) Gives priority to NSHP developments in economically distressed and disadvantaged communities.

(C) Provides incentives for low- and moderate-income households to participate.

(D) Ensures that no less than 25 percent of the funds collected for the NSHP shall be for multifamily units and rental dwellings.

(E) Ensures that no less than 25 percent of the funds collected for the NSHP shall be in disadvantaged communities.

(F) Provides for increased accountability, a streamlined application process, and an extension of the allowable reservation period.

(f) The team shall, in coordination with other state entities, periodically analyze the renewable technology market and workforce trends and identify barriers to renewable energy industry development in the state.

(g) The team shall develop and adopt a multiyear investment plan, for approval by the commission, to establish priority activities for the team to achieve the goals of this chapter and describe how funding will complement but not duplicate existing public and private investments, including existing state programs that further the goals of this chapter.

(h) The commission shall create and consult with an advisory body to work with the team as it develops the investment plan. The advisory body shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code). The team shall, at a minimum, hold one annual public hearing on the advisory body's recommendations prior to the commission's consideration and approval of the investment plan.

(i) Membership of the advisory body created pursuant to subdivision (h) shall include, but is not limited to, investor-owned utilities, the Public Utilities Commission and the Independent System Operator, clean energy businesses and investors, local governments, environmental groups, environmental justice groups, ratepayer groups, business associations, and research and technical experts. The advisory body shall meet at least twice annually to provide strategic and technical guidance.

(j) On or before March 15, 2012, and on or before January 31 annually thereafter, the commission shall submit the draft multiyear investment plan, as developed in accordance with subdivision (g), for the upcoming fiscal year to all relevant policy and fiscal committees of the Legislature.

(k) It is the intent of the Legislature that the investment plan highlight and explain the rationale for any year-to-year changes to the commission's activity strategy and priorities, particularly with respect to specific demonstration programs or policy initiatives.

(l) It is the intent of the Legislature that submission of the draft investment plan, along with timely notification of significant modifications to the investment plan thereafter, will ensure legislative oversight of the program and provide the Legislature with all of the necessary information to fully understand how and why funds are to be allocated and prioritized within the program.

(m) A demonstration project or activity funded by the commission shall be approved at a noticed public hearing of the commission and shall be consistent with the priorities established by the investment plan adopted pursuant to subdivision (g).

(n) The commission may make a single source or sole source award pursuant to this section. The same requirements set forth in Section 25620.5 shall apply to awards made on a single source basis or a sole source basis.

(o) Moneys collected for renewable energy pursuant to Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code shall be transferred to the Renewable Resource Trust Fund. Moneys collected between January 1, 2012, and January 1, 2020, shall be used for the purposes specified in this chapter.

SEC. 5. Section 384 of the Public Utilities Code is amended to read:



384. (a) Funds transferred to the ~~State Energy Resources~~  
~~Conservation and Development~~ Commission pursuant to this article  
for purposes of public interest research, development, and  
demonstration shall be transferred to the ~~Public Interest Research,~~  
~~Development, and Demonstration~~ *Clean Energy Innovation*  
*Program* Fund, which is hereby created in the State Treasury. The  
fund is a trust fund and shall contain money from all interest,  
repayments, disencumbrances, royalties, and any other proceeds  
appropriated, transferred, or otherwise received for purposes  
pertaining to public interest research, development, and  
demonstration. Any appropriations that are made from the fund  
shall have an encumbrance period of not longer than two years,  
and a liquidation period of not longer than four years.

(b) Funds deposited in the ~~Public Interest Research,~~  
~~Development, and Demonstration~~ *Clean Energy Innovation*  
*Program* Fund may be expended for projects that serve the energy  
needs of both stationary and transportation purposes if the research  
provides an electricity ratepayer benefit.

(c) The ~~State Energy Resources Conservation and Development~~  
Commission shall report annually to the appropriate budget  
committees of the Legislature on any encumbrances or liquidations  
that are outstanding at the time the ~~commission's~~ *Energy*  
*Commission's* budget is submitted to the Legislature for review.

(d) *The balance of funds in the Public Interest Research,*  
*Development, and Demonstration Fund as of January 1, 2012,*  
*shall be transferred to the Clean Energy Innovation Program*  
*Fund.*

SEC. 6. Section 399.8 of the Public Utilities Code is amended  
to read:

399.8. (a) In order to ensure that the citizens of this state  
continue to receive safe, reliable, affordable, and environmentally  
sustainable electric service, it is the policy of this state and the  
intent of the Legislature that prudent investments in energy  
efficiency, renewable energy, and research, development and  
demonstration shall continue to be made.

(b) (1) Every customer of an electrical corporation shall pay a  
nonbypassable system benefits charge authorized pursuant to this  
article. The system benefits charge shall fund energy efficiency,  
renewable energy, and research, development and demonstration.

(2) Local publicly owned electric utilities shall continue to collect and administer system benefits charges pursuant to Section 385.

(c) (1) The commission shall require each electrical corporation to identify a separate rate component to collect revenues to fund energy efficiency, renewable energy, and research, development and demonstration programs authorized pursuant to this section beginning January 1, ~~2002~~ 2012, and ending January 1, ~~2012~~ 2020. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage.

(2) This rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. If the amounts specified in paragraph (1) of subdivision (d) are not recovered fully in any year, the commission shall reset the rate component to restore the unrecovered balance, provided that the rate component may not exceed, for any tariff schedule, the level of the rate component that was used to recover funds authorized pursuant to Section 381 on January 1, 2000. Pending restoration, any annual shortfalls shall be allocated pro rata among the three funding categories in the proportions established in paragraph (1) of subdivision (d).

(d) The commission shall order San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company to collect these funds commencing on January 1, ~~2002~~ 2012, as follows:

(1) Two hundred ~~twenty-eight~~ *fifty* million dollars ~~(\$228,000,000)~~ *(\$250,000,000)* per year in total for energy efficiency and conservation activities, ~~sixty-five~~ *seventy-five* million ~~five hundred thousand~~ dollars ~~(\$65,500,000)~~ *(\$75,000,000)* in total per year for renewable energy, and ~~sixty-two~~ *seventy-five* million ~~five hundred thousand~~ dollars ~~(\$62,500,000)~~ *(\$75,000,000)* in total per year for research, development and demonstration. The funds for energy efficiency and conservation activities shall continue to be allocated in proportions established for the year 2000 ~~as set forth in paragraph (1) of subdivision (c) of Section 381.~~

(2) The amounts shall be adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator.

1 (e) The commission shall ensure that each electrical corporation  
2 allocates funds transferred by the Energy Commission pursuant  
3 to subdivision (b) of Section 25743 in a manner that maximizes  
4 the economic benefit to all customer classes that funded the New  
5 Renewable Resources Account.

6 (f) The commission and the Energy Commission shall retain  
7 and continue their oversight responsibilities as set forth in Sections  
8 381 and 383, and Chapter 7.1 (commencing with Section 25620)  
9 and Chapter 8.6 (commencing with Section 25740) of Division 15  
10 of the Public Resources Code.

11 (g) An applicant for the Large Nonresidential Standard  
12 Performance Contract Program funded pursuant to paragraph (1)  
13 of subdivision (b) and an electrical corporation shall promptly  
14 attempt to resolve disputes that arise related to the program's  
15 guidelines and parameters prior to entering into a program  
16 agreement. The applicant shall provide the electrical corporation  
17 with written notice of any dispute. Within 10 business days after  
18 receipt of the notice, the parties shall meet to resolve the dispute.  
19 If the dispute is not resolved within 10 business days after the date  
20 of the meeting, the electrical corporation shall notify the applicant  
21 of his or her right to file a complaint with the commission, which  
22 complaint shall describe the grounds for the complaint, injury, and  
23 relief sought. The commission shall issue its findings in response  
24 to a filed complaint within 30 business days of the date of receipt  
25 of the complaint. Prior to issuance of its findings, the commission  
26 shall provide a copy of the complaint to the electrical corporation,  
27 which shall provide a response to the complaint to the commission  
28 within five business days of the date of receipt. During the dispute  
29 period, the amount of estimated financial incentives shall be held  
30 in reserve until the dispute is resolved.

31 SEC. 7. No reimbursement is required by this act pursuant to  
32 Section 6 of Article XIII B of the California Constitution because  
33 the only costs that may be incurred by a local agency or school  
34 district will be incurred because this act creates a new crime or  
35 infraction, eliminates a crime or infraction, or changes the penalty  
36 for a crime or infraction, within the meaning of Section 17556 of  
37 the Government Code, or changes the definition of a crime within  
38 the meaning of Section 6 of Article XIII B of the California  
39 Constitution.

1 SEC. 8. This act addresses the fiscal emergency declared and  
2 reaffirmed by the Governor by proclamation on January 20, 2011,  
3 pursuant to subdivision (f) of Section 10 of Article IV of the  
4 California Constitution.

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